



STEWARDSHIP GUIDELINE

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INTRODUCTION

IMCO defines stewardship¹, also known as active ownership, as: “the use of influence by institutional investors to maximize overall long-term value including the value of common economic, social and environmental assets, on which returns and clients’ and beneficiaries’ interests depend.”

IMCO believes that stewardship helps us better manage risk and contributes to long-term sustainable value. We aim to use our influence to promote strong environmental, social and governance (“ESG”) practices, whether through direct engagement with portfolio companies and external managers, proxy voting or collaborative engagement with our peers.

As a signatory to the Principles for Responsible Investment (PRI)², IMCO supports Active Ownership 2.0³ which focuses on:

- Outcomes seen in the real world
- Outcomes that benefit economies and societies as a whole, and
- Collaboration with other investors and service providers

PURPOSE

The Stewardship Guideline (the “Guideline”) describes our stewardship approach for engaging with entities in which we invest on material ESG issues.

Our stewardship activities seek to influence portfolio companies and external managers to adopt sustainable business practices that are consistent with long-term value creation, which includes management of ESG risks and opportunities.

SCOPE

This Guideline applies to all investments and asset classes where IMCO has ownership and can meaningfully influence and/or control investable assets. A core part of our engagement efforts focuses on long-term value creation and priorities outlined in our ESG beliefs, as defined in IMCO’s *Responsible Investing Policy*.

¹ <https://www.unpri.org/stewardship/about-stewardship/6268.article>

² <https://www.unpri.org/download?ac=12686>

³ <https://www.unpri.org/download?ac=9721>

STEWARDSHIP PRINCIPLES

As a member of the International Corporate Governance Network (“ICGN”) and the Canadian Coalition for Good Governance (“CCGG”), IMCO endorses the ICGN and CCGG’s Stewardship Principles (“SPs”) and aligns our stewardship approach with the SPs.



ICGN Global Stewardship Principles

- PRINCIPLE 1:** Internal governance
- PRINCIPLE 2:** Developing and implementing stewardship policies
- PRINCIPLE 3:** Monitoring and assessing investee companies
- PRINCIPLE 4:** Engaging companies and investor collaboration
- PRINCIPLE 5:** Exercising and protecting voting rights
- PRINCIPLE 6:** Promoting long-term value creation and integration of ESG factors
- PRINCIPLE 7:** Meaningful transparency, disclosure and reporting

CCGG Stewardship Principles

- PRINCIPLE 1:** Develop an approach to stewardship
- PRINCIPLE 2:** Monitor companies
- PRINCIPLE 3:** Report on voting activities
- PRINCIPLE 4:** Engage with companies
- PRINCIPLE 5:** Collaborate with other institutional investors
- PRINCIPLE 6:** Work with policy makers
- PRINCIPLE 7:** Focus on long-term sustainable value

IMCO'S STEWARDSHIP APPROACH

Our stewardship approach focuses on long-term sustainable value creation and involves the following activities:

- Identifying and prioritizing engagements
- Engaging with companies on material issues
- Engaging with external managers/general partners
- Exercising shareholder rights such as proxy voting
- Collaborating with other investors
- Advancing policy through advocacy
- Engagement escalation

Identifying and prioritizing engagements

IMCO recognizes that there is a broad set of ESG issues that are increasingly material and important (see below for a non-comprehensive list of examples). We monitor performance of our portfolio companies on material ESG issues.



ENVIRONMENTAL

Issues relating to the quality and functioning of the natural environment and natural systems.

- Climate change
- Energy
- Water
- Waste and pollution
- Biodiversity



SOCIAL

Issues relating to the rights, well-being and interests of people and communities.

- Diversity and inclusion
- Health and safety
- Human rights
- Human capital
- Supply chain management



GOVERNANCE

Issues relating to the governance of companies and other investee entities.

- Board structure, diversity, and independence
- Business ethics
- Cybersecurity
- Executive compensation
- Accounting and audit quality
- Risk management

We run an ESG dashboard of our Public Equity portfolios using third-party ESG data. For externally managed assets, our manager selection and monitoring process evaluates manager ESG practices, active ownership policy, capacity and governance, and reporting capacity and engagement activities, in line with our [Responsible Investing Policy](#).

Through this monitoring process, we identify and prioritize candidates for engagement, which includes:

- **ESG disclosure:** We may engage with companies to seek comprehensive disclosures of managing material ESG risks and opportunities.
- **ESG performance:** We may engage with companies to encourage better ESG practices and business model and strategies to improve ESG performance.
- **ESG events:** We may engage with companies exposed to significant ESG incidents to understand and call for risk mitigation measures and to prevent future violations or misconduct.
- **Voting response:** We may engage with companies that have either not responded to or provided insufficient response to majority supported shareholder proposals.

Engaging with companies on material issues

We expect companies to have governance structures overseeing material ESG risks and opportunities that can have an impact on business strategy and long-term value creation. We look for comprehensive disclosures that enable investors to assess the effectiveness of companies' risks and opportunities management on long-term value.

We may choose to engage either with management or the board depending on the issue. For direct private investments, we will exercise the relevant governance rights to engage directly with the board and management where those are available to us. Through respectful and encouraging dialogue with our portfolio companies, we seek to:

- Improve disclosure of ESG practices
- Encourage companies to understand their ESG risks and manage them effectively
- Minimize ESG related investment risks to IMCO and its clients
- Encourage the adoption of good corporate governance practices

Engaging with external managers/general partners (GPs)

ESG, including climate change, is one of the key considerations when we assess and monitor our external managers/GPs. IMCO follows a principled, consistent approach to incorporate ESG in externally managed assets, in alignment with IMCO's [*Responsible Investing Policy*](#) and strategic ESG priorities (governance, climate change and diversity, equity & inclusion).

Our ESG assessment criteria includes policies & governance, resourcing, integration in the investment process, approach to key issues such as climate change, diversity, equity & inclusion, sustainability outcomes, and monitoring & reporting. We assess whether a process is in place for incorporating ESG risks and opportunities.

We support managers on their ESG journey and encourage best practices.

Exercising shareholder rights

Proxy voting is an important component of stewardship, and we exercise our right to vote at shareholder meetings in order to encourage sound governance and sustainability practices. IMCO's [*Proxy Voting Guideline*](#) outlines the underlying corporate governance principles to which we subscribe and other relevant issues that can impact long-term value creation.

IMCO's [*Proxy Voting Guideline*](#) provides a general indication of how IMCO votes on proxy issues, and addresses our expectations on our key priority areas, such as climate change, diversity, equity & inclusion and governance on sustainability risks.

- For management-sponsored climate resolutions, we expect our portfolio companies to commit to net-zero carbon emissions by 2050 or sooner, set science-based emission reduction targets, and disclose climate information in line with Task Force on Climate-Related Financial Disclosures (TCFD).
- We expect a minimum of 30% of the board to be represented by women, which aligns with the 30% Club's objective to achieve a minimum of 30% women on boards and at the executive level. We also believe that boards should consider all forms of diversity in the director recruitment process.
- We expect that boards have adequate governance, skills, and experience to oversee sustainability risks.

Collaborating with other investors

Where we have limited access to management and/or limited governance rights, we convey our views in collaboration with other like-minded shareholders where possible. Collaborative engagement can increase our influence by having a bigger platform and voice. IMCO is a supporter of a number of ESG initiatives and networks that enable our ability to work collaboratively.

Advancing policy through advocacy

We will engage collaboratively with other institutional investors and through investor organizations when appropriate, including promoting ESG standards and best practices as well as providing input to regulators.

Engagement escalation

Engagement escalation can vary depending on the level of responsiveness from companies and the materiality of areas of concern on long-term value.

Voting is an intrinsic part of the escalation process to seek governance improvements. We review our voting records and voting principles and may vote against board re-election and/or management resolutions, and we may consider co-filing of shareholder resolutions.

We seek updates on engagement efforts undertaken by our managers, what they are engaging on, how they assess the risk, and what level of escalation they are undertaking.

We may also collaboratively engage with other investors to elevate areas of concern and increase influence with regards to our public holdings.

When prior extensive engagement has not proved successful and there is a clear risk to shareholder value, divestment may be carefully considered by the investment teams as a measure of last resort.

TRANSPARENCY, DISCLOSURE AND REPORTING

We report our stewardship activities to our clients on a quarterly basis and include stewardship activities in our annual published *ESG Report*.

We publish our *Proxy Voting Guideline* and are transparent about our proxy voting activity. We disclose our proxy votes ahead of a publicly traded company's annual general meeting, including the rationale for when we vote against management proposals and all shareholder proposals, as well as our proxy voting record, on our website.

GOVERNANCE

Review and Approval

The Chief Investment Officer (or such other individual that may be designated from time to time by the CEO) or his/her designate will be the Document Owner of this Guideline and is responsible for issuing, reviewing and updating it on a regular basis.

The Vice-President, Responsible Investing, is the Drafter and Document Monitor of the Guideline, who is responsible for monitoring on an ongoing basis whether the objectives of this governing document are being met. The Approver is the Management Investment Committee ("MIC").

The Document Owner is responsible for ensuring relevant IMCO senior executive team members have been given a reasonable opportunity to review and comment on this Guideline prior to it being approved by the MIC.

APPENDIX A

ICGN Global Stewardship Principles⁴

PRINCIPLE 1: Internal governance

Investors should keep under review their own governance practices to ensure consistency with the aims of national requirements and the ICGN Global Stewardship Principles and their ability to serve as fiduciary agents for their beneficiaries or clients.

PRINCIPLE 2: Developing and implementing stewardship policies

Investors should develop and implement stewardship policies which outline the scope of their responsible investment practices.

PRINCIPLE 3: Monitoring and assessing investee companies

Investors should exercise diligence in monitoring companies held in investment portfolios and in assessing new companies for investment.

PRINCIPLE 4: Engaging companies and investor collaboration

Investors should engage with investee companies with the aim of preserving or enhancing value on behalf of beneficiaries or clients and should be prepared to collaborate with other investors to enhance engagement outcomes.

PRINCIPLE 5: Exercising and protecting voting rights

Investors with voting rights should seek to vote shares held and make informed and independent voting decisions, applying due care, diligence and judgement across their entire portfolio in the interests of beneficiaries or clients.

PRINCIPLE 6: Promoting long-term value creation and integration of ESG factors

Investors should promote the long-term performance and sustainable success of companies and should integrate material ESG factors in investment decision-making and stewardship activities.

PRINCIPLE 7: Meaningful transparency, disclosure and reporting

Investors should publicly disclose their stewardship policies and activities and report to beneficiaries or clients on how they have been implemented so as to be fully accountable for the effective delivery of their duties.

CCGG Stewardship Principles⁵

PRINCIPLE 1: Develop an approach to stewardship

Institutional investors should develop, implement and disclose their approach to stewardship and how they meet their stewardship responsibilities.

PRINCIPLE 2: Monitor companies

Institutional investors should monitor the companies in which they invest.

PRINCIPLE 3: Report on voting activities

Institutional investors should adopt and publicly disclose their proxy voting guidelines and how they exercise voting rights.

PRINCIPLE 4: Engage with companies

Institutional investors should engage with portfolio companies.

PRINCIPLE 5: Collaborate with other institutional investors

Institutional investors should collaborate with other institutional investors where appropriate.

PRINCIPLE 6: Work with policy makers

Institutional investors should engage with regulators and other policy makers where appropriate.

PRINCIPLE 7: Focus on long-term sustainable value

Institutional investors should focus on promoting the creation of long-term sustainable value.

⁴ https://www.icgn.org/sites/default/files/2021-06/ICGN%20Global%20Stewardship%20Principles%202020_1.pdf

⁵ <https://ccgg.ca/stewardship-principles-endorsers/#:~:text=Principles-,CCGG%20Stewardship%20Principles,to%20their%20beneficiaries%20or%20clients>